

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 31, 2019

SCC-CLERK'S OFFICE
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APPLICATION OF

2019 MAY 31 P 12:53

ROANOKE GAS COMPANY

CASE NO. PUR-2019-00080

For approval to amend its SAVE Plan and Rider
and to implement a 2020 SAVE Projected Factor Rate
and True-Up Factor Rate

ORDER FOR NOTICE AND COMMENT

On May 14, 2019, Roanoke Gas Company ("Roanoke Gas" or "Company") filed an application ("Application") with the State Corporation Commission ("Commission") for approval to modify its SAVE Plan and Rider and to implement a 2020 SAVE Projected Factor Rate and True-Up Factor Rate pursuant to § 56-603 *et seq.* of Title 56 of the Code of Virginia ("Code"), the Steps to Advance Virginia's Energy Plan (SAVE) Act. The Company filed this Application in accordance with the Commission's August 29, 2012 Order Approving SAVE Plan and Rider ("2012 SAVE Order") in Case No. PUE-2012-00030,¹ as modified in Case Nos. PUE-2013-00091, PUE-2014-00067, PUE-2015-00076, PUE-2016-00073, and PUR-2018-00102.² With its Application, the Company filed documentation of the SAVE

¹ *Application of Roanoke Gas Company, For approval of a SAVE Plan and Rider pursuant to Virginia Code §§ 56-603 et seq.*, Case No. PUE-2012-00030, 2012 S.C.C. Ann. Rept. 422, Order Approving SAVE Plan and Rider (Aug. 29, 2012).

² *See Application of Roanoke Gas Company, For modification of its SAVE Plan and Rider*, Case No. PUE-2013-00091, 2013 S.C.C. Ann. Rept. 447, Order Approving Amended SAVE Plan and Rider (Dec. 9, 2013); *Application of Roanoke Gas Company, For modification of its SAVE Plan and Rider*, Case No. PUE-2014-00067, 2014 S.C.C. Ann. Rept. 464, Final Order (Sept. 26, 2014); *Application of Roanoke Gas Company, For modification of its SAVE Plan and Rider*, Case No. PUE-2015-00076, 2015 S.C.C. Ann. Rept. 361, Order Approving Amended Save Plan and Rider (Sept. 25, 2015); *Application of Roanoke Gas Company, For a modification of its SAVE Plan and Rider*, Case No. PUE-2016-00073, 2016 S.C.C. Ann. Rept. 435, Order Approving Amended Save Plan and Rider (Oct. 18, 2016); and *Application of Roanoke Gas Company, For approval to amend its SAVE Plan and Rider and to implement a 2019 SAVE Projected Factor Rate and True-up Factor Rate*, Case No. PUR-2018-00102, Doc. Con. Cen. No. 180930118, Order Approving SAVE Amendment and Rider (Sept. 27, 2018).

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qualifying projects that are planned for the 2020 SAVE Plan year³ and the corresponding SAVE Rider that will be associated with those projects.

Pursuant to Code § 56-604 B, Roanoke Gas requests that the Commission approve the following modifications to its existing SAVE Plan: (1) an extension of the SAVE Plan for an additional three years from its current expiration of December 31, 2021, through September 30, 2024; and (2) an increase to the annual spending limit by 5% to reflect increases in labor and material costs known to the Company.⁴

With an annual spending limit of \$7,165,000, Roanoke Gas's current SAVE Plan includes the replacement of pre-1973 Aldyl-A plastic mains and services as well as the replacement of associated legacy meter bar and regulator installations.⁵ The Company estimates that by the start of the 2020 Save Plan year, it will have approximately 37 miles of first generation plastic remaining in its system.⁶ Based on its estimated replacement rate, Roanoke Gas anticipates that it will take approximately five years to replace all of the remaining first generation plastic in its system, including the eight miles targeted for replacement in the 2020 SAVE Plan year.⁷

Due to increased labor and material costs, Roanoke Gas also requests approval to increase its annual spending limit by 5% beginning with the 2021 SAVE Plan year, which runs

³ The Company's 2020 Save Plan year runs from October 1, 2019, through September 30, 2020. Application at 3. In 2018, the Commission approved the Company's request to change its SAVE Plan year from a calendar year to a fiscal year. *See Application of Roanoke Gas Company, For approval to amend its SAVE Plan and Rider and to implement a 2019 SAVE Projected Factor Rate and True-up Factor Rate*, Case No. PUR-2018-00102, Doc. Con. Cen. No. 180930118, Order Approving SAVE Amendment and Rider (Sept. 27, 2018).

⁴ *See, e.g.*, Application at 3; Direct Testimony of C. James Shockley ("Shockley") at 4.

⁵ Shockley at 2.

⁶ *Id.* at 4-5.

⁷ *Id.* at 5.

from October 1, 2020, through September 30, 2021.⁸ According to the Company, its replacement of first generation plastic requires open trench excavation, which contributes to cost increases.⁹ Additionally, strong nationwide demand for natural gas pipe installation contractors has driven up labor rates and material costs.¹⁰ For these reasons, the Company determined that its costs for SAVE investments will increase by approximately 5%.¹¹

The Company's anticipated Virginia jurisdictional investment for the 2020 SAVE Plan year is approximately \$7.8 million.¹² Because its current weighted average cost of capital has not changed by order of the Commission within the preceding five years, Roanoke Gas proposes an updated cost of capital in this case, as permitted by Code § 56-603.¹³ Specifically, the Company proposes the use of its June 30, 2018 capital structure and the cost of capital that it has proposed in its pending general rate case, PUR-2018-00013.¹⁴ Based on the proposed SAVE investment for the 2020 SAVE Plan year, Roanoke Gas estimates a Projected Factor revenue requirement of \$1,223,027, effective October 1, 2019.¹⁵

The Company also submitted a summary of the results of the calendar year 2018 actual investment and revenue for the SAVE qualifying projects completed during the period of

⁸ See, e.g., Application at 3; Shockley at 4.

⁹ Shockley at 6.

¹⁰ *Id.* at 7.

¹¹ *Id.*

¹² *Id.* at 4.

¹³ Direct Testimony of Niklas E. Banka ("Banka") at 4-5.

¹⁴ *Id.* at 5. See *Application of Roanoke Gas Company, For a general increase in rates*, Case No. PUR-2018-00013, Doc. Con. Cen. No. 181050341, Application (Oct. 10, 2018).

¹⁵ Banka at 4.

January 1, 2018, through December 31, 2018. Because Roanoke Gas's SAVE revenues for calendar year 2018 exceeded the actual costs of its 2018 SAVE Projects, the Company proposes to credit customers \$532,174 through the 2020 True-Up Factor, beginning October 1, 2019.¹⁶ In total, the Company proposes a credit of \$536,722, which includes the 2018 SAVE year credit plus reconciliation activity related to previous SAVE years.¹⁷

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that this matter should be docketed; Roanoke Gas should provide public notice of its Application; interested persons should have an opportunity to file comments on the Application and request a hearing; and the Commission's Staff ("Staff") should be directed to investigate the Application and file a report containing the Staff's findings and recommendations ("Staff Report").

We also find that a Hearing Examiner should be assigned to rule on any discovery matters that may arise during the course of this proceeding.

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed as Case No. PUR-2019-00080.

(2) As provided by § 12.1-31 of the Code and Rule 5 VAC 5-20-120, *Procedure before Hearing Examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"),¹⁸ a Hearing Examiner is appointed to rule on any discovery matters that may arise during the course of this proceeding.

¹⁶ *Id.* at 3.

¹⁷ *Id.*

¹⁸ 5 VAC 5-20-10 *et seq.*

(3) Roanoke Gas shall make copies of the Application, as well as this Order for Notice and Comment, available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for Roanoke Gas, Timothy E. Biller, Esquire, Hunton Andrews Kurth LLP, 951 East Byrd Street, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the documents by electronic means. Copies of the public version of all documents also shall be available for interested persons to review in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(4) On or before July 3, 2019, Roanoke Gas shall cause the following notice to be published as display advertising (not classified) on one occasion in newspapers of general circulation throughout the Company's service territory in Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
ROANOKE GAS COMPANY FOR APPROVAL TO AMEND
ITS SAVE PLAN AND RIDER AND TO IMPLEMENT A 2020
SAVE PROJECTED FACTOR RATE AND TRUE-UP FACTOR
RATE
CASE NO. PUR-2019-00080

On May 14, 2019, Roanoke Gas Company ("Roanoke Gas" or "Company") filed an application ("Application") with the State Corporation Commission ("Commission") for approval to modify its SAVE Plan and Rider and to implement a 2020 SAVE Projected Factor Rate and True-Up Factor Rate pursuant to § 56-603 *et seq.* of Title 56 of the Code of Virginia ("Code"), the Steps to Advance Virginia's Energy Plan (SAVE) Act. The Company filed this Application in accordance with the Commission's August 29, 2012 Order Approving SAVE Plan and Rider ("2012 SAVE Order") in Case No. PUE-2012-00030, as modified in Case Nos. PUE-2013-00091, PUE-2014-00067, PUE-2015-00076, PUE-2016-00073, and PUR-2018-00102. With its Application, the

Company filed documentation of the SAVE qualifying projects that are planned for the 2020 SAVE Plan year and the corresponding SAVE Rider that will be associated with those projects.

Pursuant to Code § 56-604 B, Roanoke Gas requests that the Commission approve the following modifications to its existing SAVE Plan: (1) an extension of the SAVE Plan for an additional three years from its current expiration of December 31, 2021, through September 30, 2024; and (2) an increase to the annual spending limit by 5% to reflect increases in labor and material costs known to the Company.

With an annual spending limit of \$7,165,000, Roanoke Gas's current SAVE Plan includes the replacement of pre-1973 Aldyl-A plastic mains and services as well as the replacement of associated legacy meter bar and regulator installations. The Company estimates that by the start of the 2020 Save Plan year, it will have approximately 37 miles of first generation plastic remaining in its system. Based on its estimated replacement rate, Roanoke Gas anticipates that it will take approximately five years to replace all of the remaining first generation plastic in its system, including the eight miles targeted for replacement in the 2020 SAVE Plan year.

Due to increased labor and material costs, Roanoke Gas also requests approval to increase its annual spending limit by 5% beginning with the 2021 SAVE Plan year, which runs from October 1, 2020, through September 30, 2021. According to the Company, its replacement of first generation plastic requires open trench excavation, which contributes to cost increases. Additionally, strong nationwide demand for natural gas pipe installation contractors has driven up labor rates and material costs. For these reasons, the Company determined that its costs for SAVE investments will increase by approximately 5%.

The Company's anticipated Virginia jurisdictional investment for the 2020 SAVE Plan year is approximately \$7.8 million. Because its current weighted average cost of capital has not changed by order of the Commission within the preceding five years, Roanoke Gas proposes an updated cost of capital in this case, as permitted by Code § 56-603. Specifically, the Company proposes the use of its June 30, 2018 capital structure and the cost of capital that it has proposed in its pending general rate case, PUR-2018-00013. Based on the proposed SAVE investment for the 2020 SAVE Plan year, Roanoke Gas estimates a Projected

Factor revenue requirement of \$1,223,027, effective October 1, 2019.

The Company also submitted a summary of the results of the calendar year 2018 actual investment and revenue for the SAVE qualifying projects completed during the period of January 1, 2018, through December 31, 2018. Because Roanoke Gas's SAVE revenues for calendar year 2018 exceeded the actual costs of its 2018 SAVE Projects, the Company proposes to credit customers \$532,174 through the 2020 True-Up Factor, beginning October 1, 2019. In total, the Company proposes a credit of \$536,722, which includes the 2018 SAVE year credit plus reconciliation activity related to previous SAVE years.

Interested persons are encouraged to review the Application and supporting documents for the details of this proposal.

TAKE NOTICE that the Commission may adopt fees, charges, tariff revisions, and terms and conditions of service that differ from those appearing in the Application and supporting documents.

The Commission entered an Order for Notice and Comment that, among other things, directed the Company to provide notice to the public and provided interested persons an opportunity to comment on and request a hearing on the Company's Application.

The public version of the Company's Application, as well as the Commission's Order for Notice and Comment, are available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for the Company, Timothy E. Biller, Esquire, Hunton Andrews Kurth LLP, 951 East Byrd Street, Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the documents by electronic means.

Copies of the public version of the Application and other documents filed in this case are also available for interested persons to review in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

On or before July 17, 2019, any interested person wishing to comment on the Company's Application shall file written comments on the Application with Joel H. Peck, Clerk, State Corporation Commission, P.O. Box 2118, Richmond, Virginia 23218-2118. Any interested person desiring to submit comments electronically may do so on or before July 17, 2019, by following the instructions on the Commission's website: <http://www.scc.virginia.gov/case>. All such comments shall refer to Case No. PUR-2019-00080.

On or before July 17, 2019, any person or entity wishing to participate as a respondent in this proceeding may do so by filing a notice of participation. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address above. A copy of the notice of participation as a respondent also must be sent to counsel for the Company at the address set forth above. Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"), any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. All filings shall refer to Case No. PUR-2019-00080. For additional information about participation as a respondent, any person or entity should obtain a copy of the Commission's Order for Notice and Comment.

On or before July 17, 2019, any person may request a hearing on the Company's Application. If not filed electronically, an original and fifteen (15) copies of the request for hearing shall be submitted to the Clerk of the Commission at the address set forth above. Requests shall include: (i) a precise statement of the interest of the filing party; (ii) a statement of the specific action sought to the extent then known; (iii) a statement of the legal basis for such action; and (iv) a precise statement why a hearing should be conducted in the matter. Persons filing a request for hearing shall serve a copy of their request upon Roanoke Gas at the address above.

All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

The Commission's Rules of Practice may be viewed at <http://www.scc.virginia.gov/case>. A printed copy of the Commission's Rules of Practice and an official copy of the Commission's Order for Notice and Comment may be obtained from the Clerk of the Commission at the address above.

ROANOKE GAS COMPANY

(5) On or before July 3, 2019, Roanoke Gas shall serve a copy of this Order for Notice and Comment on the following officials, to the extent the position exists, in each county, city, and town in which the Company provides service in the Commonwealth of Virginia: the chairman of the board of supervisors of each county; the mayor or manager (or equivalent official) of every city or town; and the county, city, or town attorney. Service shall be made by first class mail or personal delivery to the customary place of business or residence of the person served.

(6) On or before July 17, 2019, the Company shall file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, proof of the notice and service required by Ordering Paragraphs (4) and (5), including the name, title, and address of each official served.

(7) On or before July 17, 2019, any interested person may file written comments on the Application with the Clerk of the Commission at the address shown in Ordering Paragraph (6). Any interested person desiring to submit comments electronically may do so on or before July 17, 2019, by following the instructions found on the Commission's website: www.scc.virginia.gov/case. All comments shall refer to Case No. PUR-2019-00080.

(8) On or before July 17, 2019, any person or entity wishing to participate as a respondent in this proceeding may do so by filing a notice of participation. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (6). Pursuant to

Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. All filings shall refer to Case No. PUR-2019-00080.

(9) Within five (5) business days of receipt of a notice of participation as a respondent, the Company shall serve upon the respondent a copy of this Order for Notice and Comment, a copy of the public version of the Application, and a copy of the public version of all materials filed by the Company with the Commission, unless those materials already have been provided to the respondent.

(10) On or before July 17, 2019, any interested person may request a hearing on the Company's Application. If not filed electronically, an original and fifteen (15) copies of the request for hearing shall be submitted to the Clerk of the Commission at the address in Ordering Paragraph (6). Written requests for hearing shall refer to Case No. PUR-2019-00080 and shall include: (i) a precise statement of the filing party's interest in the proceeding; (ii) a statement of the specific action sought to the extent then known; (iii) a statement of the legal basis for such action; and (iv) a precise statement why a hearing should be conducted in the matter. A copy also shall be served on the Company at the address in Ordering Paragraph (3).

(11) The Staff shall investigate the Application. On or before July 25, 2019, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of a Staff Report containing its findings and recommendations and shall promptly serve a copy of the same on counsel to the Company and all respondents.

(12) On or before August 1, 2019, Roanoke Gas may file with the Clerk of the Commission any response in rebuttal to the Staff Report and any comments filed by interested persons in this proceeding.

(13) All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

(14) The Commission's Rule of Practice 5 VAC 5-20-260, *Interrogatories or requests for production of documents and things*, shall be modified for this proceeding as follows: responses and objections to written interrogatories and requests for production of documents shall be served within four (4) calendar days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-260, on the day that copies are filed with the Clerk of the Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request for production is directed or the assigned Staff attorney, if the interrogatory or request for production is directed to Staff.¹⁹ Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 *et seq.*

(15) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Timothy E. Biller, Esquire, Hunton Andrews Kurth LLP, 951 East Byrd Street, Richmond, Virginia 23219; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 202 N. 9th Street, 8th Floor, Richmond, Virginia 23219. A copy also shall be delivered to the Commission's Office of General Counsel and Divisions of Public Utility Regulation, Utility Accounting and Finance, and Utility and Railroad Safety.

¹⁹ The assigned Staff attorney is identified on the Commission's website, <http://www.scc.virginia.gov/case>, by clicking "Docket Search," and clicking "Search Cases," and entering the case number, PUR-2019-00080, in the appropriate box.